

**Internal Revenue Service**  
**Tax Exempt and Government Entities Division**  
Exempt Organizations: Examinations  
3730 S. Elizabeth Street  
Independence, MO 64057

**Department of the Treasury**

501-07.00

Release Number: **201317014**  
Release Date: 4/26/2013  
Date: January 13, 2013

Taxpayer Identification Number:  
Form:  
Tax Year(s) Ended:  
Person to Contact/ID Number:  
Contact Numbers:  
Telephone:  
Fax:

ORG – Organization name  
XX – Date Address - address

**Certified Mail – Return Receipt Requested**

Dear :

We have enclosed a copy of our report of examination explaining why we believe revocation of your organization's exempt status is necessary.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

If you request a conference, we will forward your written statement of protest to the Appeals Office and they will contact you. For your convenience, an envelope is enclosed.

If you and Appeals do not agree on some or all of the issues after your Appeals conference, or if you do not request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court, after satisfying procedural and jurisdictional requirements as described in Publication 3498.

You may also request that we refer this matter for technical advice as explained in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*. If a determination letter is issued to you based on technical advice, no further administrative appeal is available to you within the IRS on the issue that was the subject of the technical advice.

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Adverse Action*. We will then send you a final letter revoking your exempt status. If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and this letter will become final. In that event, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the Ogden Service Center within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing  
Director, EO Examinations

Enclosures:  
Publication 892  
Publication 3498  
Form 6018  
Report of Examination  
Envelope

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit
<b>Explanation of Items</b>		
<b>Name of Taxpayer</b> ORG		<b>Year/Period</b> 20XX03

**LEGEND**

ORG - Organization name      XX - Date      City - city      State - state  
EMP-1 - 1<sup>st</sup> EMP

**ISSUES:**

Whether exempt organization qualifies for exemption under Section 501(c)(7) of the Internal Revenue Code?

**FACTS:**

The organization is current exempt under 501(c)(7). The purpose of the organization is to manage, operate, and maintain a social and recreational campground near City, State, for the pleasure, social, recreational, and other similar non profitable purposes of its members. The organization ran into financial difficulty and was ordered by the court to sell it's assets to pay the organization liabilities. The organization received the funds from the sale after paying off their liabilities on January 20XX. The organization made disbursement of the remaining funds to their members in October 20XX. The organization no longer has any members nor does it organized for pleasure, recreation, or other nonprofitable purposes.

The organization failed to file Form 990 for year ending March 31, 20XX terminating the organization or file documents authorizing dissolution. The agent requested the delinquent return from the organization. The organization failed to provide the delinquent return. The agent mailed by certified mail to the organization requesting them to file the return with the Area Office within 90 days. The agent received confirmation the letter was picked up by EMP-1 on 8/6/XX. The organization failed to respond to the Internal Revenue Service correspondence or file the Forms 990 for the tax period ending March 31, 20XX.

**LAW:**

Organization exemption under IRC 501(c)(7) need to satisfy the following statutory requirements:

- A club,
- Organized for pleasure, recreation, and other nonprofitable purposes,
- Substantially all of the activities of which are for such purposes,
- No part of the net earnings of which inures to the benefit of any private, shareholder, and
- The club does no have a written policy which discriminates against individuals seeking membership on the basis of race, color, or religion.

Section 6001 of the Code provides that every person liable for any tax imposed by the Code, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

Section 6033(a)(1) of the Code provides, except as provided in section 6033(a)(2), every organization exempt from tax under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

Section 1.6001-1(a) of the regulations in conjunction with section 1.6001-1(c) provides that every organization exempt from tax under section 501(a) of the Code and subject to the tax imposed by section 511 on its unrelated business income must keep such permanent books or accounts or records, including inventories, as are sufficient to establish the amount of gross income, deduction, credits, or other matters required to be shown by such person in any return of such tax. Such organization shall also keep such books and records as are required to substantiate the information required by section 6033.

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Section 1.6001-1(e) of the regulations states that the books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

Section 1.6033-1(h)(2) of the regulations provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purpose of enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (section 501 and the following), chapter 1 of the Code and section 6033.

Rev. Rul. 59-95, 1959-1 C.B. 627, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of section 6033 of the Code and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

In accordance with the above cited provisions of the Code and regulations under sections 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

#### TAXPAYERS POSITION:

The agent cannot determine the taxpayer's position since they have not responded to any correspondence requesting filing of information returns.

#### CONCLUSION:

The organization no longer has any members and organized for pleasure of its members which is a requirement for recognition as exempt from federal income tax under 501(c)(7) of the Internal Revenue Code. The organization failed to file the required information return and self terminate. The organization exempt status should be revoked effective April 1, 20XX.